United Nations E/ICEF/1998/AB/L.9

Economic and Social Council

Distr.: Limited
28 August 1998

Original: English

United Nations Children's Fund
Executive Board
Second regular session 1998
8-11 September 1998
Item 10 (b) of the provisional agenda*

For information

Report to the United Nations Board of Auditors and the Advisory Committee on Administrative and Budgetary Questions

Summary

The present document reports on the steps taken or to be taken in response to the recommendations of the Board of Auditors on the UNICEF accounts for the biennium 1996-1997. It also presents the status of implementation of the recommendations of the Board of Auditors on the UNICEF accounts for the biennium 1994-1995.

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* E/ICEF/1998/12.

I. Introduction

1. As an ongoing practice, UNICEF has been submitting a report to the General Assembly, through the Advisory Committee on Administrative and Budgetary Questions (ACABQ), to advise the Assembly as to the measures that the organization will take to implement the recommendations of the United Nations Board of Auditors.

2. The present report reviews the implementation by UNICEF of the recommendations of the Board of Auditors in its report on the UNICEF accounts for the biennium 1996-1997. The report also discusses the status of the implementation of the recommendations of the Board of Auditors on the accounts for the biennium 1994-1995.

3. The present document is submitted to the Board of Auditors and ACABQ for their evaluation.

II. Progress report on specific steps taken to implement the recommendations of the Board of Auditors on the UNICEF accounts for the biennium 1996-1997

4. This chapter describes the steps taken or to be taken by UNICEF in response to the recommendations of the Board of Auditors on its accounts for the biennium 1996-1997.

Recommendation No. 1

5. UNICEF should strengthen the oversight responsibilities on the review of liquidation statements in respect of cash assistance to Governments to ensure that they are properly supported with complete details.

Measures taken by UNICEF

6. In line with the recommendation of the Board of Auditors, the administration has taken a number of steps to strengthen oversight responsibilities and ensure that cash assistance liquidation statements are supported with sufficient documentation. During 1997, many country offices undertook workshops in work process redesign and control self-assessment which has offered opportunities to focus on improving cash assistance procedures with the assistance of regional office staff and internal audit. This has resulted in best practices being identified and disseminated. Training events will continue throughout the current biennium to reinforce written policy guidance and ensure implementation.

7. In addition, the administration is undertaking a comprehensive review of UNICEF financial regulations, rules and policies, including those pertaining to cash assistance to Governments. This will provide an opportunity to further strengthen policies and procedures in this area. The proposed changes will be submitted to the Executive Board, through ACABQ, at its September 1999 session.

Recommendation No. 2

8. UNICEF should expand and intensify its fund-raising activities, particularly in the area of general resources, and also strengthen the monitoring and control of expenditures.

Measures taken by UNICEF

9. The administration is exerting all efforts towards the expansion and intensification of its fund-raising activities consistent with the limitations imposed by staff and resources available for fund-raising efforts. The implementation of more efficient systems (i.e. the Programme Manager System and the Financial/Logistics System) in 1999 is expected to strengthen the monitoring and control of expenditures.

10. The administration is submitting to the Executive Board, at its September 1998 session, a report on the proposed resource mobilization strategy for UNICEF. The strategy aims to assure increased core resources for UNICEF, obtain greater predictability of contributions to core resources and find a means of increasing burden-sharing among donors to UNICEF core resources. The secretariat will submit the final strategy to the Executive Board for approval at its first regular session of 1999.

Recommendation No. 3

11. UNICEF should strengthen its efforts to obtain formal receipts from Governments as evidence that supplies and equipment have been received.

Measures taken by UNICEF

12. In a memorandum dated 7 August 1998, the administration requested the field offices to update Supply Division as to the measures taken to implement the recommendation. As of 18 August 1998, 51 field offices have responded. The responses included confirmation of: (a) compliance with the requirement to obtain formal receipts; and (b) establishment of effective tracking mechanisms as well as follow-up procedures within the office and with government counterparts.

13. In emergency situations or where the Government lacks facilities and/or the required capacity, UNICEF, in coordination with the Government, sometimes has to assume responsibility for the warehousing and distribution of supplies.

14. The secretariat will continue to monitor field office implementation of the recommendation and will update the Board of Auditors on the status in its future audits.

Recommendation No. 4

15. UNICEF should seek retrospective approval for the four projects added without the Executive Board's authorization.

Measures taken by UNICEF

16. The administration does not concur with the Board of Audit in the interpretation of decision 1990/26 (E/ICEF/1990/13) that any changes to a list of countries contained in the paper would require Executive Board approval. Decision 1990/26 establishes a reserve fund for field office accommodation and specifies only that "75 per cent would be earmarked for field office accommodations, relating mainly to UNICEF participation in common premises with other United Nations Organizations. The balance of 25 per cent would be used to acquire, if necessary, or renovate existing housing for international staff...". Document E/ICEF/1990/AB/L.8 contained for information an annex estimating the proportionate share for UNICEF of 15 country projects proposed by the then Joint Consultative Group on Policy Sub-group on common premises.

17. The administration will seek clarification from the Executive Board when it reviews the financial statements for the 1996-1997 biennium, which will contain the status of the reserve fund for field office accommodations.

Recommendation No. 5

18. UNICEF should ensure that all systems are tested for Year 2000 compliance with sufficient lead-time to address any deficiencies.

Measures taken by UNICEF

19. As noted by the external auditors, the administration has taken major steps to address the Year 2000 problem. UNICEF is phasing out non-compliant legacy systems and will be implementing a field system as well as a headquarters' system which are Year 2000 compliant. In addition, the secretariat has taken the following actions:

(a) Issuance of Administrative Instruction CF/AI/1998/-08 dated 17 April 1998, which requires UNICEF offices in all locations to obtain warranty of Year 2000 compliance from equipment vendors;

(b) Issuance of Administrative Instruction CF/AI/1998-009 of 8 May 1998, which provides guidelines to assist all information technology officers at UNICEF offices in preparing for the Year 2000 problem;

(c) The regular issuance, from May 1998, of a newsletter to inform UNICEF information technology staff world-wide of the progress of every item (software, hardware, firmware, etc.) with Year 2000 implications. The newsletter features tables which document the compliance status of each item/vendor, product or service. The document is available on the UNICEF intranet, while the narrative pages are posted in the UN-ISCC web-page for information-sharing among United Nations agencies.

20. In addition, the administration has planned for a simulation exercise to be undertaken in the first quarter of 1999 to test the status of all the preparations being made.

Recommendation No. 6

21. The administration should ensure that recruitment of consultants fully complies with established rules and procedures.

Measures taken by UNICEF

22. The administration will provide written guidance to all offices in September 1998 reinforcing that it is the responsibility of heads of offices to ensure that:

(a) The practice of competitive selection of consultants/contractors is followed;

(b) Contracts are signed before the commencement of any assignment;

(c) Signed copies of the contracts are retained by the offices concerned;

(d) Evaluations are prepared by the supervisor at the end of an assignment;

(e) Final payments are not made until the submission of the supervisor's evaluation attesting to the satisfactory completion of the assignment.

Recommendation No. 7

23. In order to improve its financial performance, UNICEF Greeting Card and related Operations (GCO) should develop new marketing, advocacy and sales promotional strategies in order to increase the volume of its product sales and also increase its fund-raising.

Measures taken by UNICEF

24. GCO (now known as Private Sector Division) is in the process of restructuring. Once the structure is fully in place (expected early in 1999), its brand management strategy, focus on key markets and a harmonized product mix and communication strategy collectively will continue to contribute to generating incremental funds for UNICEF programmes.

Recommendation No. 8

25. The administration should establish a more frequent interval for the transfer of sales proceeds to UNICEF by the National Committees to improve the recovery rates of sales proceeds.

Measures taken by UNICEF

26. The early transmittal of proceeds from National Committees is always encouraged. However, when current Recognition Agreements are renegotiated starting in 1999, the administration will include, for consideration, a provision to ensure the earlier transmittal of proceeds. Further, the administration will advise partners that the provision for charging interest on arrears will be enforced.

Recommendation No. 9

27. The administration should ensure that all National Committees for UNICEF comply with the cash accounting reporting requirements.

Measures taken by UNICEF

28. In December 1997, the administration issued revised guidelines to further clarify reporting procedures and ensure increased uniformity and transparency.

Recommendation No. 10

29. The administration should recover a total of $1.45 million not accounted for by five National Committees of GCO (ibid).

Measures taken by UNICEF

30. The administration has reviewed the transactions which gave rise to the $1.45 million referred to by the Board of Auditors. The amount represents support funds provided to the National Committees and the reports/records pertaining to these have now been reconciled.

Recommendation No. 11

31. The administration should take appropriate steps to establish responsibility with a view to recovering the loss incurred by UNICEF as a result of fraudulently recording transactions in a field office in the amount of $445,000.

Measures taken by UNICEF

32. The administration, under the supervision of the Office of Internal Audit, and in conjunction with an international public accounting firm, undertook a comprehensive investigation of the case cited by the Board of Auditors which involved loss of greeting card assets due to falsification of records. The administration obtained three legal opinions which recommended against pursuing action because of the low likelihood that there would be any financial recovery. The administration is taking appropriate and prudent action to prevent such misappropriation of assets in the future. The steps taken have included disciplinary action and non-renewal of several employment contracts, and transfer of greeting card activities to a reputable third party.

III. Progress report regarding the status of implementation of the recommendations of the Board of Auditors on the UNICEF accounts for the biennium 1994-1995

33. After its last audit, the Board of Auditors noted the implementation of the recommendations included in its report on the audit of the accounts for the biennium 1994-1995.

34. The Board noted the implementation of its recommendation [11(b)] pertaining to the establishment of a reserve for its doubtful contributions receivable to ensure an accurate disclosure of its realizable assets and recommendation [11(g)] pertaining to the need for reviewing the procedures for allocating general resources to country programmes so as to enhance comparability of data, eligibility for assistance and the determination of cut-off and exit criteria. Nevertheless, the Board will continue to monitor the adequacy of the reserve and will review the new procedures for the allocation of general resources in future audits.

35. The Board likewise noted the improvement in UNICEF's liquidity position which was the subject of the Board's recommendation [11(c)] regarding the need for a reversal of the deliberate strategy of setting expenditure levels higher than income to address UNICEF's declining liquidity. However, the Board indicated that the performance in this area needs further improvement and will keep this matter under review in its future audits.

36. The Board also positively noted the numerous actions taken by the secretariat to implement the following:

(a) Recommendation [11(d)] on the strengthening of the operations of internal control systems in field offices through prompt and effective investigation of indications of mismanagement;

(b) Recommendation [11(e)] pertaining to the need to improve responsiveness to internal audit findings and recommendations. The Board will continue to monitor this issue in future audits;

(c) Recommendation [11(f)] on the need to further improve the accuracy of UNICEF's income projections for unfunded supplementary programmes through more realistic budgeting and fund-raising strategies;

(d) Recommendation [11(h)] regarding the need to undertake collaborative studies in selected programme sectors to determine the level of achievement of the decade goals, sustainability of programmes and national capacity-building;

(e) Recommendation [11(k)] requesting the administration to take further measures to improve sales forecasting and to reduce over-ordering of products in order to keep unsold stocks to the minimum.

37. While the Board of Auditors did not require further action on these recommendations, the Board indicated that it would continue to monitor and review the areas covered in future audits.

38. The Board also noted the implementation of the following recommendations related to the budget:

(a) Recommendation [11(i)]: Instead of using the exchange rates available at specific periods of time as the basis for forecasting budgetary requirements, UNICEF should consider adopting an appropriate averaging method to obtain more accurate projections;

(b) Recommendation [11(j)]: In the design of the integrated budget system, a clear link should be established between administrative costs and the costs of the country programme to achieve proper balance in resource allocation.

39. The Board of Auditors indicated that in its future audits, it will review the effect of the new currency adjustment policy formulated under the harmonized budget format and will monitor actual budgetary performance based on the principle of linking administrative costs to costs of country programmes which has been established under the integrated budgeting system.

Recommendation No. 11(a)

40. The policy of recording cash assistance to Governments as programme expenditure at the time the funds are advanced should be reviewed for consistency with the definition of programme expenditure in UNICEF's financial regulations and programme management procedures.

Measures taken by UNICEF

41. The administration is undertaking a UNICEF-wide consultation process to ensure that all areas relating to the financial polices that may be of concern are included in the review and revision of regulations specifically indicated by the Board of Auditors. The secretariat has issued a memorandum dated 10 August 1998 requesting all regional directors, representatives, assistant representatives and division directors to advise the Comptroller of any concerns and changes. The deadline for responses has been set for 15 October 1998.

IV. Recommendations that would require action by the General Assembly

42. The administration does not see any recommendation of the Board of Auditors that would require action by the General Assembly.